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ABSTRACT

Temporary Assistance to Needy Families (TANF) needs to focus more directly on what happens in the workplace and consider the needs of employers. Employers identify skill levels of both job applicants and employees as a major obstacle to employing and retaining TANF recipients and other entry-level workers as well as the cost of entry-level employee turnover. Pre-employment training for TANF recipients can develop basic employability skills, work-related literacy and math skills, and job-specific skills. By considering policies that address these improvements, policy makers can increase the benefits employers receive from TANF-funded workforce development. (Contains 11 endnotes.) (AJ)

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WINS
Workforce Innovation Networks

Building a Nation that Works:
Designing TANF for the Workplace*

Presented by Workforce Innovation Networks, June 2002

Since 1997, the Center for Workforce Preparation (CWP), an affiliate of the U.S. Chamber of Commerce; the Center for Workforce Success of the Manufacturing Institute (CWSMI), an affiliate of the National Association of Manufacturers; and Jobs for the Future (JFF) have collaborated in implementing Workforce Innovation Networks—WINs. This initiative supports local employer organizations' efforts to meet the workforce needs of their member employers by working with them to increase employment, retention, and advancement of job seekers and workers with limited skills and work experience. WINs' experience and other efforts to improve workforce development[1] inform policy considerations presented in this paper regarding reauthorization of Temporary Assistance to Needy Families (TANF).

Overview

Employers' interest in workforce development and its connection to welfare is at an all-time high. At the same time, a key question for TANF reauthorization is the TANF program's effectiveness in helping low-income families move out of poverty and achieve self-sufficiency through work. To achieve this objective, TANF will need to focus more directly on what happens in the workplace and consider the needs of employers. To the extent that TANF takes work seriously, it must also take employers seriously.

Employer Needs	Key TANF Policy Considerations
Candidates for employment who meet skill requirements	Develop TANF recipients' skills to improve their initial employability
Better incumbent employee skills and retention rates	Broaden access to initiatives that upgrade incumbent employees' skills and boost job retention
Resources for skill development and retention supports	Establish performance measures that drive resources to meet workforce needs
Efficient access to effective workforce development services	Support organizations with a strong relationship to employers that facilitate use of TANF-funded workforce services – especially by small and mid-sized firms
A more customer-friendly, seamless workforce system	Encourage integration of TANF and other workforce development funding/services
Expansion of effective workforce development programs and support for innovative initiatives	Provide funding for effective programs and for innovation to better meet the needs of employers and TANF recipients

* This educational brief, presented by WINs, is not a statement of official policy positions by the WINs partners.

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Introduction

The overhaul of federal welfare policy begun in 1996 has achieved two of its goals — reducing welfare rolls and increasing employment among welfare recipients. Many employers have applauded welfare recipients' entry into the workforce, while supporting greater focus on the need to increase skills and reduce turnover. Policies that address these concerns are central both to meeting employers' workforce needs and increasing TANF recipients' self-sufficiency.

Skill development is an important and continuing concern of employers. Significantly, it remained so during last year's downturn, according to recent surveys conducted by the Center for Workforce Preparation and the Center for Workforce Success. Even in the context of relatively soft labor markets during the winter of 2001, nearly three-quarters of employers surveyed[2] reported severe conditions when trying to hire qualified job applicants. Eighty percent of manufacturers surveyed[3] in the midst of manufacturing's 2001 downturn revealed a moderate-to-serious shortage of qualified applicants.

Moreover, business leaders know that these concerns will increase as the economy recovers, and that they will continue to grow over time. In today's knowledge economy, employers confront persistent skill shortages due to new technologies and changing work processes. Growing baby boomer retirements will make these challenges even more acute. The global economy, where business success is defined by quality and productivity, intensifies the importance of workforce skills.

As a result, in the years following TANF reauthorization, employers expect skill shortages to grow, both among entry-level workers and workers with greater skills.

While employers place a high priority on addressing workforce needs of entry-level jobs, they face costs and risks related to hiring, retaining, and training those with limited skills and work experience. Effective governmental assistance to develop skills and reduce turnover rates and costs could benefit both employers and workers. However, TANF services, like most workforce services that receive public funding, focus almost exclusively on the individual and have not been structured to serve employers' needs as well. Neither do employers have the information or understanding to access these services. As a result, few employers use publicly funded workforce services. Small and mid-sized businesses, which create a large percentage of new jobs, face the most difficulty in using these services.

In this context, two objectives provide guidance for the revision of TANF's work-related provisions:

I. Provide services to hire, retain and develop skills that meet the needs of employers and individuals.
II. Facilitate use of workforce services by employers, particularly small and mid-sized businesses.

I. Provide Services to Hire, Retain and Develop Skills

Employers identify the skill levels of both job applicants and employees as a major obstacle to employing and retaining both TANF recipients and other entry-level workers and as a key factor in remaining competitive. Another major concern they identify is the cost of entry-level employee turnover. More specifically:

- Ninety-one percent of chamber of commerce CEOs surveyed identify the lack of skills among job applicants as employers' top concern, and 83 percent identify the need to upgrade skills of incumbent workers as a significant concern.[4]

- Among manufacturers, the most severe skill shortages are found in jobs such as production workers, entry-level workers, and machine operators. Some 69 percent of manufacturers cite the lack of basic employability skills (attendance, timeliness, work ethic, etc.) as the most common reason they reject applicants for hourly production positions, and 32 percent cite inadequate reading and writing skills. Regarding current employees, 59 percent of employers cite poor basic employability skills as a serious deficiency, 32 percent cite poor reading and writing skills, and 26 percent cite inadequate math skills.[5]

- Annual turnover rates of about 40 percent, both for former TANF recipients and other workers in similar jobs, result in high turnover costs for employers and prevents employees from developing skills and successful work experience. Employer organizations identified the high cost of turnover among entry-level workers with limited skills and work experience as a major employer concern.[6]

Policy Considerations

Introduction: State reports of federal and state TANF spending show that less than one percent has gone to education and training.[7] And while very significant funding has been provided for support services — especially childcare — the lack of childcare and transportation remain the top two sources of absenteeism among employed TANF recipients and former TANF recipients. To meet employer needs and to achieve self-sufficiency for TANF recipients, more TANF funds should be allowed for skill development and employment retention supports.

A. Employers need candidates for employment – including those moving from welfare to work – to meet skill requirements.

TANF policies should make it possible for TANF recipients to develop job-related skills to improve their initial employability, both during hiring and employment.

The lack of applicants who meet employers' job skill requirements increases recruitment costs while it reduces companies' ability to stay competitive and to meet customer needs. Effective education and training is needed to provide TANF

recipients with the skills employers require, to support retention, and to provide opportunities for wage growth.

Programs taking this approach have demonstrated success. For instance, SFWorks, an affiliate of the San Francisco Chamber of Commerce, has worked closely with employers to design welfare-to-work programs that combine pre-employment development of basic employability skills and job-specific technical skills with paid internships. Employers have found that the programs meet their skill requirements, and participants are now working in jobs with opportunities for earning growth.

TANF provisions could encourage development of customized pre-employment training that qualifies TANF recipients for jobs in specific industries or workplaces by developing basic employability skills, work-related literacy and numeracy skills, and job-specific skills. This approach, based on partnerships and continued communication with employers or employer organizations, will reduce the costs and risks employers face in hiring TANF recipients, while providing them with more and better job opportunities.

B. Employers need TANF recipients and their co-workers to have increased and expanded access to services that upgrade their skill levels and boost retention rates.

Federal TANF provisions need to encourage flexible state policies regarding employees' eligibility for TANF-funded skill development and employment retention supports.

In addition to effective pre-employment skill development for job applicants, employers need access to the means to improve the skills of low-skilled workers they hire. Employers find that their entry-level employees — including those who have left TANF to go to work and their co-workers — need to continually upgrade their skills for their current jobs. Where there are shortages of applicants for higher-level positions, employers also need to prepare employees to fill them. However, the typically narrow eligibility and programmatic requirements of public funding undermine its potential to meet employer needs. As a result, few employers use publicly funded programs to help entry-level employees improve their skills.[8]

Some states, such as Oregon and Washington, have taken advantage of current flexibility in TANF policy and allow employees with household incomes of up to 200 percent of the poverty rate to participate in TANF-funded services.

Reauthorization provides the opportunity to establish federal provisions that will encourage all states to maximize this flexibility. Broadening eligibility for TANF-funded training would encourage far more employers to seek opportunities for TANF recipients and their co-workers to develop their skills.

Employers also need increased access to retention supports for their employees. Over 40 percent of employer organizations surveyed indicated that employees need and would benefit from additional post-employment support services – including childcare, transportation, and a range of others.[9] These services, and earnings supplements, increase employment retention and assist employees with limited skills and experience to make ends meet.[10]

More flexible resources will encourage employers to take advantage of retention services. For instance, the El Paso Chamber of Commerce has coordinated efforts to provide nighttime transportation and affordable 24-hour childcare to meet the needs of both employers and employees.

Federal policies that broaden and simplify eligibility for retention supports would greatly assist both employers and employees. In addition, simplified eligibility and requirements for effective marketing would increase employees' use of earnings supplements such as the Earned Income Tax Credit and food stamps, bolstering employment retention.

C. Employers need resources for effective skill development and retention supports.

Reauthorization of TANF needs to establish measures for earning growth and retention, and provide significant incentives for achieving them.

Focusing on key outcomes and rewarding them plays an important role in driving business performance. TANF performance measures that focus on earning growth and employment retention — and are linked to significant incentives — can play a key role in meeting workplace needs.

Performance measures that focus on earning growth and link to significant incentives will encourage decision-makers to allocate TANF resources to skill development. As those with limited skills develop them and better meet employers' needs, their earnings will increase.

Performance measures that focus on employment retention and link to significant incentives will encourage decision-makers to increase TANF resources for retention supports.

Performance measures for Florida's workforce and welfare transition efforts provide an example. Among other performance measures, Florida tracks wage rates and compares them to regional standards.

Reauthorization provides an opportunity to establish performance measures that focus on labor market success. Linking them to significant incentives is a key to improving the capacity of TANF funded services to meet the needs of employers and

TANF recipients. To bring about the changes necessary to meet workplace needs, these performance measures will also need to:

- Balance minimum standards, high performance benchmarks, and measures of improvement
- Achieve performance improvement without under-serving the hardest-to-employ
- Address both long-term outcomes and short-term milestones that promote improvement toward "best practice"
- Create a performance measurement system that is feasible and easy-to-manage.

II. Facilitate Employers' Use of Workforce Services

Far too few employers — and especially small businesses — take advantage of TANF and other publicly funded workforce services. Making TANF more accessible and responsive to small business as well as other employers and more aligned with other services are priorities because:

- Small businesses, which create a substantial majority of new jobs, face greater workforce barriers than do larger businesses. Fundamental barriers include limited financial and staff resources to assist in filling vacancies, retaining employees, and developing advanced skills. Other barriers include a lack of information, understanding, and financial resources necessary to benefit from workforce development programs.

- Employers and employer organizations strongly desire flexibility in using public funds, in combination with accountability in doing so. However, in their experience, most public workforce services suffer from fragmented control across agencies and come with too many restrictions, rules, and programmatic targeting to be useful, particularly to smaller employers with limited human resources staffing.

- Innovative, effective workforce development serves far too few small employers. In addition, the experience with and variety of approaches to meeting employers' needs and achieving self-sufficiency is far too limited.

Policy Considerations

Introduction: Only 15 percent of small businesses and 25 percent of employers surveyed have used any form of workforce services.[11] Enabling TANF to meet the needs of far more employers is an essential element in helping businesses, reducing poverty, and increasing self-sufficiency.

A. Employers — especially small- and mid-sized businesses -- need efficient access to effective workforce development services funded by TANF and other sources to increase their use of these services.

TANF policies that help support "intermediary" organizations are needed in order to increase employers' use of TANF-funded workforce services —particularly small and mid-sized firms' use of these services.

While small businesses provide significant hiring and advancement opportunities, they often lack staff, resources, and time to take advantage of publicly funded programs. "Intermediary" organizations that have a strong relationship with business, such as employer organizations, can address these needs. They can expedite efficient access by employers, particularly small and mid-sized businesses, to effective services from TANF and other public sources. These demand-led intermediaries can identify employer needs and broker high quality workforce services to meet them. By doing so, they can improve the quality of workforce development services for employers and for individuals with limited skills and work experience.

For example, the Connecticut Business and Industry Association (CBIA) is working with small and mid-sized businesses to improve the skills and retention rates of low-wage workers so they can advance in their careers. CBIA has long experience in designing workforce services to benefit both employers and employees. Previously, CBIA trained three education/training providers' staff members to assure that the training they deliver would meet the needs of TANF recipients and employers, including small businesses.

TANF reauthorization provides an opportunity to support intermediary organizations and increase their capacity to serve employers and individuals seeking employment and skill development. Doing so will encourage greater use of TANF-funded services by employers.

B. Employers need a more customer-friendly, seamless system of workforce development services.

TANF policies should integrate TANF's workforce services into a seamless workforce development system.

Employers want public resources such as TANF to support a workforce development system that is easy to navigate, provides workforce services with consistent quality, and is cost-competitive with other options. New TANF policies could encourage states to integrate TANF funds into a more seamless workforce development system. For instance, policies that increase integration of TANF-funded services with workforce development services governed by Workforce Investment Boards would benefit both employers and TANF recipients. These policies would meet employers' needs by streamlining administrative barriers, particularly regarding eligibility and uses of funds, and establishing outcome measures that apply to all funding sources. This would more easily connect TANF-funded programs with other workforce programs.

New TANF policies also could provide incentives that encourage states to match their incumbent and customized worker-training funds with TANF funds. These policies

could encourage state initiatives that link these funding streams and administer them through systems that reflect the positive qualities of incumbent worker training. These qualities include: flexibility in training a wide range of workers combined with a focus on services for entry-level workers, modest reporting requirements that target promotions and earning gains, a key role for employers in program design, and availability of funding for intermediary organizations that bring together consortia of small employers.

C. Employers need effective workforce development programs to be expanded, and they need support for innovative initiatives to develop effective programs.

TANF should include funding to expand effective programs and encourage innovation to better meet the needs of employers and working TANF recipients.

A variety of programs have demonstrated effectiveness in meeting the needs of employers and TANF recipients in hiring, retaining, and developing skills. These programs, especially intermediary-led programs that meet the needs of smaller employers, should be expanded. For instance, employer organizations have demonstrated the success of several innovative publicly funded approaches. The Holyoke Chamber of Commerce has developed career path programs in the paper converting and long-term health care industries. TANF-funded skill training also supports the Memphis Area Chamber's target industries.

Funding for innovation is needed to gain additional experience in meeting employers' needs as a means to achieve TANF's self-sufficiency goal. Among potential areas for increased innovation are the use of intermediary organizations to meet small business needs, strategies to move individuals from jobs with little skill development potential to jobs connected to career paths, subsidies for jobs designed to develop high-demand skills, and transitional employment to develop basic employability skills and literacy. Reauthorization can establish funds for competitive grants for these and similar purposes.

Conclusion

Reauthorization of TANF provides the opportunity to increase success in meeting employers' needs and promoting self-sufficiency. By considering policies that address these improvements, policy makers can increase the benefits employers receive from TANF-funded workforce development, encourage employers to hire TANF recipients, and make it more likely that TANF recipients, as well as other workers with limited skills and experience, achieve self-sufficiency through work. Policy makers will also need to consider the level of TANF funding that will be sufficient to bring about these objectives. Provision of this funding can be considered an investment that will strengthen the economy by improving labor markets.

Endnotes

[1] Currently WINs partners are conducting in-depth work with multiple employer organizations and employers and have documented the workforce development activities of over a dozen state and local employer organizations. WINs partners have also undertaken several surveys and interviews with employer organizations and employers over the past year. In other projects, the WINs partners work closely with employer organizations and employers — documenting innovative human resource practices of rapidly growing inner-city businesses; working to establish career ladders in the retail industry; exploring employer views on partnerships with community-based organizations; carrying out activities as part of the Business Coalition for Workforce Development; operating the Workforce Academies project; pursuing an initiative to improve the employment of individuals with disabilities; working on manufacturing skill standards; addressing issues of workforce literacy; organizing the Manufacturing Industries Careers Alliance; and providing awards for workforce excellence.

[2] Center for Workforce Preparation of the U.S. Chamber of Commerce, *Keeping Competitive: Hiring, Training and Retaining Qualified Workers in 2002*, March 2002

[3] National Association of Manufacturers, the Center for Workforce Success of NAM's Manufacturing Institute, and Anderson Consulting, *The Skills Gap 2001*, May 2001

[4] Center for Workforce Preparation of the U.S. Chamber of Commerce, *Nine Compelling Questions about Workforce Development*, a survey of leading Chamber of Commerce CEOs, August 2001

[5] *The Skills Gap 2001*, May 2001

[6] Jobs for the Future for WINs, *Everybody WINs: Effectively Involving Business in Workforce Development, June 2001*, page 21

[7] Analysis of states' TANF expenditure reports by the Center for Law and Social Policy

[8] *Everybody WINs: Effectively Involving Business in Workforce Development, June 2001*, page 15

[9] *Everybody WINs: Effectively Involving Business in Workforce Development, June 2001*, page 21

[10] Harry Holzer and Douglas Wissoker for the Urban Institute, *How Can We Encourage Job Retention and Advancement for Welfare Recipients?*, October 2001

[11] American Express Small Businesses Services, *Voices from Main Street*, June 2000 and *The Skills Gap 2001*, May 2001

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